

SUNSET ADVISORY COMMISSION

Texas Commission on the Arts

Staff Report
February 2006



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In 1977, the Texas Legislature created the Sunset Advisory Commission to identify and eliminate waste, duplication, and inefficiency in government agencies. The 12-member Commission is a legislative body that reviews the policies and programs of more than 150 government agencies every 12 years. The Commission questions the need for each agency, looks for potential duplication of other public services or programs, and considers new and innovative changes to improve each agency's operations and activities. The Commission seeks public input through hearings on every agency under Sunset review and recommends actions on each agency to the full Legislature. In most cases, agencies under Sunset review are automatically abolished unless legislation is enacted to continue them.

TEXAS COMMISSION ON THE ARTS

SUNSET STAFF REPORT

FEBRUARY 2006



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SUMMARY

Summary

The Texas Commission on the Arts' (TCA) mission – developing a receptive climate for the arts in Texas – has importance to the state. In addition to providing intrinsic benefits to Texans, the arts help stimulate economic development and tourism. The Legislature originally created TCA with broad powers and duties centered on developing the arts in the state to culturally enrich citizens and make the state more attractive to visitors. Recognizing that state funds would not always be available to support such broad efforts, the Legislature established the Cultural Endowment Fund, intended to become a stable source of funding for TCA and its functions. However, the Sunset review found that lack of consistent, long-term funding has rendered the Fund useless, and, coupled with the State's recent fiscal difficulties, led the Legislature to reduce TCA's funding and narrow the agency's focus.

The Sunset review also evaluated TCA's limited role in supporting the arts. Sunset staff assessed whether TCA's functions could be performed by another agency, and found that while other agencies could perform TCA's functions, these alternatives offered no clear benefit to justify such significant change.

While the Sunset review found that the agency's main functions – providing grants and promoting the arts – do benefit the state, key problems were found regarding the agency's ability to focus on maximizing its limited resources and ensuring that its functions are carried out effectively.



Recent budget difficulties have led the Legislature to reduce TCA's funding and narrow the agency's focus.

- ◆ Despite the agency's limited resources, as well as recent legislative efforts to narrow TCA's functions, TCA continues to create and directly administer programs outside its main functions that require considerable staff effort to administer.
- ◆ TCA awards some of its largest grants outside its normal grant procedures, with limited Commission oversight or approval. Considering the amount of funding awarded through these grants, the lack of procedures and oversight does not ensure proper accountability of these funds.

The recommendations in this report are designed to address these concerns. A summary follows of the Sunset staff recommendations on the Texas Commission on the Arts.

Issues and Recommendations

Issue 1

Texas Has a Continuing Need for the Texas Commission on the Arts.

Key Recommendation

- ◆ Continue the Texas Commission on the Arts for 12 years.

Issue 2

TCA Continues to Operate Programs that Do Not Fit With Legislative Efforts to Narrow the Agency's Focus.

Key Recommendations

- ◆ Require the Commission to adopt rules to govern the acceptance of private funds to ensure that the use of the funds supports the agency's key functions.
- ◆ The Commission should evaluate the agency's programs and initiatives to ensure compliance with the legislative direction to focus on arts promotion and grants.
- ◆ TCA should close its Fort Worth satellite office.

Issue 3

TCA Awards Special Initiative Grants With Limited Review, Oversight, and Commission Approval.

Key Recommendations

- ◆ Require the Commission to adopt rules to ensure accountability of TCA's special initiative grants.
- ◆ TCA should provide regular updates to the Commission on all of the agency's grants.

Issue 4

Lack of Stable, Long-Term Funding Prevents the Cultural Endowment Fund From Supporting TCA and the Arts.

Key Recommendation

- ◆ Dissolve the Cultural Endowment Fund, and return contributions to private donors and the Legislature.

Fiscal Implication Summary

When fully implemented, the recommendations in this report would result in a one-time gain of approximately \$10.7 million to the General Revenue Fund.

- ◆ Issue 4 – Dissolving the Cultural Endowment Fund would allow the State to recover its original \$10.2 million investment to the Fund, plus interest income of \$555,405.

<i>Fiscal Year</i>	<i>Gain to the General Revenue Fund</i>
2007	\$10,755,405
2008	\$0
2009	\$0
2010	\$0
2011	\$0

ISSUES

Texas Has a Continuing Need for the Texas Commission on the Arts.

Summary

Key Recommendation

- ◆ Continue the Texas Commission on the Arts for 12 years.

Key Findings

- ◆ Even though people may question the need for public support of the arts, Texas benefits from limited state support of the arts.
- ◆ TCA accomplishes its mission and makes the arts accessible to Texas communities.
- ◆ While other agencies could perform TCA's functions, these alternatives offer no clear benefits over an agency dedicated to the arts.
- ◆ While organizational structures vary, all states but one have an agency that supports the arts.

Conclusion

The Texas Commission on the Arts' responsibilities – supporting and developing the arts – provide some benefit to the state. The Sunset review evaluated the continuing need for a single, independent agency to perform these functions. The review found that in addition to intrinsic benefits to Texans, the arts help stimulate economic development and tourism. TCA funding also assists arts organizations in raising additional support, and the state needs an arts agency to receive federal arts funding. Sunset staff assessed whether TCA's functions could be handled by other agencies, and found that while other entities could perform TCA's functions, these alternatives offered no clear benefit to justify such significant change. While this report identifies needed changes in TCA's focus and operations, Sunset staff found that the agency adequately performs its role and should be continued by the Legislature.

Support

The Texas Commission on the Arts' mission is to develop a receptive climate for the arts in Texas.

- ◆ The Legislature established the Texas Fine Arts Commission in 1965, later renamed as the Texas Commission on the Arts (TCA), to receive federal funding from the newly created National Endowment for the Arts, and to

What is Art?

TCA supports a wide array of art forms, as detailed below, ranging from traditional folk art to digital media art.

Visual Arts painting, sculpture, print making, illustrations, photography

Performing Arts

Dance ballet, modern/contemporary, ethnic/jazz

Music band, chorus, symphony/orchestra, jazz, popular

Theater plays, opera, musicals/Broadway, mime, puppet

Folk Arts folk/traditional dance, music, crafts, storytelling

Crafts pottery, glass, leather, metal, paper, wood

Media Arts film, radio, video, digital/computer media

Design Arts graphics, fashion, interior design, architecture

Literature fiction, non-fiction, playwriting, poetry

encourage appreciation of the arts in Texas. Early on, TCA primarily focused on supporting the arts in the state's large urban areas, such as Dallas and Houston. However, in 1993, the Legislature directed TCA to more equitably distribute arts funding to all geographic, cultural, and ethnic regions of the state. Today, TCA continues to support a variety of arts throughout the state based on the concept that "art is for everyone." The textbox, *What is Art?*, describes the types of arts supported by TCA.

- ◆ To accomplish its mission, TCA awards grants, promotes the arts, and raises funds to enhance support of the arts in Texas. A 17-member Commission, representing a range of arts disciplines and geographic regions of the state, oversees the agency, with its 19 employees and \$5.7 million annual budget in fiscal year 2005. TCA distributes more than \$3 million in grants each fiscal year to approximately 1,100 arts and cultural organizations and other nonprofit entities.



Limited support of the arts can provide some economic and social benefits.

Even though people may question the need for public support of the arts, Texas benefits from limited state support of the arts.

- ◆ The Legislature originally created TCA to encourage appreciation of the arts in Texas, but with recent economic changes reducing the State's budget, some people may see art as a luxury and think that public funding spent on the arts could be used to support other state needs. However, the review found that limited support of the arts can provide some economic and social benefits to Texans, as described below.
- ◆ Public support of the arts helps ensure that all Texans have access to art, regardless of economic status, education, geographic location, level of artistic talent, or special needs. People attend arts events – from music performances to museum exhibits to craft fairs – because they find such experiences enjoyable and culturally enriching. Steady interest in and

attendance at arts events throughout the state indicates that the intrinsic benefits gained from the arts have importance to Texans.

- ◆ Support of the arts also helps stimulate economic development in the state. The availability of cultural resources and opportunities helps attract businesses to Texas, since companies and workers consider quality of life – including the arts – an important factor when deciding whether to relocate to or remain in a Texas community.¹ Additionally, the arts play a role in attracting tourists to Texas, helping tourism, a \$44.4 billion industry in 2004, become one of the state’s largest industries.²
- ◆ TCA’s grants give arts organizations a seal of approval that can help them obtain broader support. Receiving a TCA grant indicates to other organizations and potential donors that the grantee’s project or organization meets the agency’s standards and qualifications for grant eligibility. TCA grants act as a catalyst that can help organizations obtain additional funding from other private, local, state, regional and national resources.
- ◆ To receive federal arts funding, Texas must have an agency to support the arts. TCA receives both block and competitive grants from the National Endowment for the Arts that help support its grant programs. In fiscal year 2005, TCA received a total of \$801,200 in federal funding, representing about 16 percent of the agency’s overall funding. Without a state arts agency, Texas would lose this federal funding.



*To receive federal
arts funding,
Texas needs an
arts agency.*

TCA accomplishes its mission and makes the arts accessible to Texas communities.

- ◆ TCA distributes funding to support arts organizations throughout Texas. In fiscal year 2005, TCA awarded a total of \$3,441,490 to 1,162 organizations statewide, with an average of \$2,962 going to each applicant. TCA funds about 96 percent of all applications, which helps support the arts in economically, geographically, and ethnically diverse communities throughout the state. In fiscal year 2005, TCA funded arts organizations in 183 underserved, rural, and geographically isolated communities, as well as 305 applications from ethnic-minority organizations.

TCA reviews, scores, and funds grant applications at open public meetings and conducts audits to ensure that grantees comply with grant contracts. TCA was one of the first state arts agencies to automate its grants administration process, and is the only state agency in Texas to have its entire grant application process online.

- ◆ TCA promotes the arts through sales of its *State of the Arts* license plate, the best selling specialty plate in Texas. The license plates, currently placed on approximately 169,860 vehicles, help make TCA and its support of the arts visible throughout Texas. TCA markets its plates primarily through *Texas Monthly* magazine advertisements. In fiscal year 2005, TCA sold



20,852 plates, representing the largest share of any specialty license plates sold.³ In addition to increasing TCA's visibility, the license plates generated \$459,272 in FY 2005 to support the agency's grant programs.

- ◆ TCA promotes the arts by providing information to the public and its constituents. TCA's website serves as a clearinghouse of information for the arts. The website provides information on a diversity of topics ranging from marketing and promotion techniques to working with hazardous arts materials. In fiscal year 2005, TCA's website received more than 10 million hits.

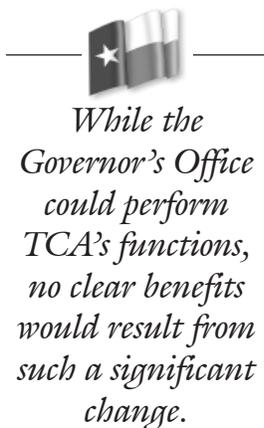
The public can also access information on arts events through artonart.com, TCA's online calendar highlighting cultural events throughout the state. The calendar featured 5,112 events from 847 organizations in fiscal year 2005, and received about 1.3 million hits.

While other agencies could perform TCA's functions, these alternatives offer no clear benefits over an agency dedicated to the arts.

- ◆ The Office of the Governor performs many functions similar to, or related to, the arts, including economic development, tourism, and commercial film and music promotion. The Governor's Office also has experience with grants administration through its Criminal Justice Division, which funds criminal justice-related projects. Additionally, seven other states link arts support and development to their governors' offices or economic development agencies.

Sunset staff analyzed the possibility of transferring TCA functions to the Office of the Governor and found that although the option is workable, no distinct advantages would result from this arrangement. No significant cost savings would result, since TCA adequately performs these functions now and a similar number of staff and resources would still be needed to perform TCA's functions at the Governor's Office. Additionally, staff found little actual overlap in functions except for tourism activities. However, as the Governor's Office already coordinates its tourism efforts with TCA, a transfer of functions would not likely result in greater efficiency. Therefore, while workable, this alternative offers no clear benefits to justify doing away with the existing independent agency focused on the arts.

- ◆ The Legislature has also considered a consolidation of TCA with other state agencies that play a role in supporting and developing the state's cultural resources, as described in the textbox on page 7, *Texas' Cultural Resource Agencies*. Eleven other states house their arts staff within the cultural resource division of an agency. In 2004, the Texas House Committee on State Cultural and Recreational Resources published an interim report concerning the potential consolidation of the agencies discussed in the textbox. While the Committee made no decision regarding organizational structure, it did recommend that the Sunset Commission study the potential for consolidation among the agencies prior to the 2007 session.



Sunset staff examined the agencies' functions and missions, and found no clear benefits to justify such a significant organizational change. TCA does not have administrative or programmatic problems that would warrant transferring its functions to another agency. TCA's functions do not overlap with the other agencies', with the exception of tourism, which the Governor's Office effectively coordinates through a Memorandum of Understanding. Finally, although the agencies' functions could be housed together in a single cultural resource agency, no significant savings would result, aside from some administrative savings. Each agency has a distinct focus – arts, history, recreation, and document preservation – requiring expert support from a similar number of staff and resources currently existing within each independent agency.

Texas' Cultural Resource Agencies

Each of the following agencies help support, develop, and preserve the state's diverse cultural resources, although the entire agency's focus may not be on cultural resources.

- ◆ **Texas Historical Commission:** Preserves, manages, and promotes historic sites, buildings, and heritage attractions throughout the state. Helps promote heritage tourism.
- ◆ **Texas Parks and Wildlife Department:** As part of its function of managing the state's recreational lands, the agency has a division that manages 34 historic sites and parks. Helps promote recreational tourism.
- ◆ **Texas State Library and Archives Commission:** As part of its function of providing library services and records management, the agency manages and preserves historical records.
- ◆ **Texas Commission on the Arts:** Develops and supports the state's arts resources. Helps promote cultural tourism.

While organizational structures vary, all states but one have an agency that supports the arts.

- ◆ Forty-eight other states have a state arts agency that performs functions similar to TCA. While organizational structures may vary, as shown in the table, *State Arts Agency Organizational Structures*, the most common approach is an independent agency dedicated to the arts, as is the case in Texas. Even if not independent, all other state arts agencies have separate staff dedicated to the arts to award grants to arts organizations, offer technical assistance, and promote arts and cultural events throughout their states.⁴
- ◆ Vermont is the only state that does not have a state arts agency. Instead, it uses a nonprofit organization that existed before other states created state art agencies beginning in 1965.⁵

State Arts Agency Organizational Structures

Structure	Number of States	States
Independent Agency	23	AL, AZ, CA, IL, IN, KS, MA, ME, MN, MS, MT, NE, NY, ND, OH, OK, RI, SC, TN, TX, VA, WA, WI
Cultural Resource Division Within a State Agency	11	AR, CT, IA, LA, MI, NV, NH, NM, NC, WV, WY
Economic Development or Education Agency	9	AK, CO, HI, KY, MD, MO, OR, SD, UT
Secretary of State Office	4	DE, FL, ID, NJ
Office of the Governor	2	GA, PA

Recommendation

Change in Statute

1.1 Continue the Texas Commission on the Arts for 12 years.

This recommendation would continue TCA as an independent agency, responsible for supporting the arts and cultural industries in Texas.

Fiscal Implication

If the Legislature continues the current functions of the Texas Commission on the Arts, using the existing organizational structure, the agency's annual appropriation of about \$5.6 million from the General Revenue Fund would be required for its operations. The agency would still market its specialty license plate to help support its grant programs.

¹ National Conference of State Legislatures, *Investing in Culture: Innovations in State Policy* (February 2003), p. 4.

² Texas Commission on the Arts, "Economic Development Figures," e-mail to Sunset Advisory Commission staff, December 13, 2005.

³ Texas Commission on the Arts, "License Plate Questions," e-mail to Sunset Advisory Commission staff, January 4, 2006.

⁴ National Assembly of State Arts Agencies, "Texas Commission On the Arts – State Agency Placement Within State Government: A National Overview," 2004; and Sunset staff review of all state arts agencies websites.

⁵ National Assembly of State Arts Agencies, "Texas Commission On the Arts – State Agency Placement Within State Government: A National Overview," 2004.

TCA Continues to Operate Programs that Do Not Fit With Legislative Efforts to Narrow the Agency's Focus.

Summary

Key Recommendations

- ◆ Require the Commission to adopt rules to govern the acceptance of private funds to ensure that the use of the funds supports the agency's key functions.
- ◆ The Commission should evaluate the agency's programs and initiatives to ensure compliance with the legislative direction to focus on arts promotion and grants.
- ◆ TCA should close its Fort Worth satellite office.

Key Findings

- ◆ In 2005, the Legislature narrowed the Texas Commission on the Arts' focus.
- ◆ Despite legislative efforts to the contrary, TCA continues to directly administer arts education programs.
- ◆ To accept private funding, TCA created programs outside its main functions that require considerable staff effort to administer.

Conclusion

The Legislature, through the appropriations process, has recently narrowed the Texas Commission on the Arts' functions to focus on providing grants, promoting arts events, and raising private funds to support its grants and promotion work. However, the Sunset review found that TCA continues to directly administer costly arts education programs as well as other privately-supported initiatives. These findings are not a criticism of the arts education programs or privately-funded initiatives themselves. However, TCA should support these programs and initiatives through its grants program and arts promotion efforts, rather than using the agency's limited resources to administer them directly. By adopting rules to guide the acceptance and use of private donations, the Commission would ensure that TCA uses private donations to further the agency's focus as set by the Legislature, and not to create and administer additional programs and initiatives to meet outside interests.

Support

In 2005, the Legislature narrowed the Texas Commission on the Arts' focus.

- ◆ The 79th Legislature, through the appropriations process, narrowed TCA's focus and functions by funding the agency to support the arts through its grants and promotion efforts rather than administering arts programs directly, specifically arts education programs. As a result, TCA currently has three primary functions as outlined in the General Appropriations Act – providing grants, promoting and marketing arts events, and raising private funds for its grants and promotion efforts.
- ◆ Previously, TCA was funded to provide arts education opportunities directly to ensure that arts education was recognized and used as a major contributor to increase literacy and strengthen basic learning skills in Texas schools and communities.¹ However, in 2005, the Legislature changed this to require the agency to support arts education through grants, not by directly administering arts education programs.
- ◆ TCA's powers and duties, as defined by statute, are fairly general and envision a role of supporting the arts that is much broader than the current goals and functions that the Legislature has funded the agency to carry out. For example, TCA's powers and duties include fostering the development of a receptive climate for the arts and making visits and vacations to the state more appealing to the world.² However, the Legislature has chosen to fund the agency to carry out a much more focused effort.

Despite legislative efforts to the contrary, TCA continues to directly administer arts education programs.

- ◆ TCA continues to directly administer arts education programs and services through its Fort Worth satellite office staffed by one employee, the Arts Education Director. According to the job description, the Arts Education Director coordinates and administers all arts education services; acts as a liaison to the Texas Education Agency and other education partner organizations; and manages student art exhibitions.
- ◆ Directly administering arts education programs results in considerable costs to the agency. TCA's Fort Worth satellite office costs about \$75,000 a year to operate, including \$16,000 for the Arts Education Director's travel expenses. The Arts Education Director spends a lot of time traveling both in and out of state to coordinate and administer the agency's arts education programs. In fiscal year 2005, this employee spent about 90 days traveling, mostly to Austin, to coordinate and work on arts education programs directly administered by the agency.
- ◆ One of the programs TCA directly administers is the *Texas Fine Arts and Student Success: A Critical Examination*, a five-year study to determine the impact quality arts education has on student learning. TCA estimates that



this study will cost \$2.6 million, and the agency has already spent about \$16,000 for salaries, travel, and meeting space to begin planning the study. TCA began administering this study in conjunction with the Texas Cultural Trust Council, a private nonprofit whose mission is to ensure the future of arts and arts education in Texas. Because TCA is supposed to support arts education through its grants program, the agency's role in administering this study is inappropriate.

Sunset staff also question the usefulness of the study, as research showing a positive correlation between fine arts and student performance already exists and more importantly, all school districts in Texas must already offer an enrichment curriculum that includes fine arts.³

- ◆ Although many people recognize the value of providing arts education programs, having TCA directly administer these efforts is no longer part of the agency's more focused role. Instead of directly administering these programs, the agency should be supporting them by awarding grants to established non-profit organizations to carry them out, or by promoting them to encourage development of and participation in these programs.

To accept private funding, TCA created programs outside its main functions that require considerable staff effort to administer.

- ◆ TCA is legislatively authorized to raise private funds for its functions.⁴ However, most private donors do not want to give money to generally support the agency's grants or promotion efforts. Instead, they want to donate money to specific programs and purposes. As a result, TCA has created several programs to accept private funding. The textbox, *Additional TCA Programs*, discusses two of these.
- ◆ Instead of supporting these programs by providing grants for other organizations to carry them out or by promoting them to encourage participation in them, TCA created and operates them directly. Although these programs may be worthwhile, creating and operating them directly does not fit with the agency's role of supporting the arts through grants and promotion efforts, and requires considerable resources, especially considering the agency's limited \$5.6 million budget and 19-person staff.

For example, since the inception of the Young Masters Program in 2002, TCA has spent more than half as much administering the program



Directly operating programs does not fit with TCA's more focused role of supporting the arts.

Additional TCA Programs

- ◆ TCA and the Texas Cultural Trust Council created the Young Masters Program in response to private donations, including a \$1 million five-year grant/donation from Southwestern Bell Corporation. The Young Masters program provides scholarships to talented students in grades 8 through 12 to pursue advanced study in visual arts, literature, music, theatre and dance. Since its inception in 2001, the Young Masters Program has given scholarships totaling \$129,000 to 25 students.
- ◆ With private funding from the Sid Richardson Foundation, TCA took a student art exhibit and created the All Americans: Images of Heritage and Citizenship Municipalities Tour. TCA used the private donation to help print multiple copies of the exhibit, which expresses ideals of civic participation, shared culture, and the democratic process, for display in 20 Texas communities. TCA staff visit each community to help plan the presentation of the exhibit and return to make the actual presentation. Additionally, TCA partnered with the Trust Council and the U.S. Department of State to further reproduce and display the exhibit in all U.S. embassies, posts, and consulates around the world. TCA staff traveled with teachers and students to Washington, D.C. to unveil the exhibit.

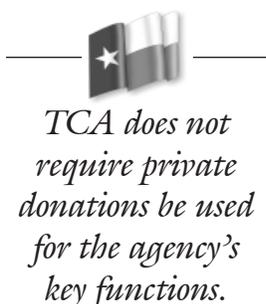
than the \$129,000 in scholarships that have been awarded. Overall, TCA has spent about \$63,000 administering and \$11,000 marketing the program.

Other state agencies have controls in place to ensure private donations support and further the agency’s goals and functions.

- ◆ A number of other state agencies also accept private funding. However, these agencies generally have some guidelines in place either in statute or rule that restrict the use of any donated funds to purposes that further the agency’s goals and priorities, not the goals and priorities of the donor.

For example, the Texas Parks and Wildlife Department (TPWD) receives significant private funding from its nonprofit partner, the Texas Parks and Wildlife Foundation. The Foundation has raised more than \$43 million to help fund TPWD’s educational, historical, cultural, and conservation programs. However, state law requires the Foundation to be dedicated to meeting TPWD’s goals. As such, all gifts, grants, and donations the Foundation gives to TPWD must also further the agency’s goals.⁵

- ◆ Unlike other state agencies, TCA has few restrictions on private donations it receives. TCA’s statute authorizes the agency to accept donations “as it determines best further the orderly development of the artistic resources of the state.”⁶ TCA’s statute does require donations deposited in its operating fund to be used to carry out the agency’s powers and duties. TCA has not adopted internal guidelines to govern its receipt of donations to ensure that the use of the funds matches the goals and priorities set by the Legislature through the appropriations process.



Recommendations

Change in Statute

2.1 Require the Commission to adopt rules to govern the acceptance of private funds to ensure that the use of the funds supports the agency’s key functions.

This recommendation would require TCA to focus on its primary mission of arts promotion and grants rather than creating and directly administering additional programs to satisfy the requirements of private donations. The Commission would develop and adopt rules to guide the acceptance and use of private donations given to TCA to ensure that the funds support the agency’s primary functions. At a minimum, the rules should require staff to fully evaluate any gift, grant, or donation to determine if its purpose supports the agency’s priorities as set by the Legislature. TCA would also evaluate what obligations the agency would have to meet to accept the donation, including matching funds, staff time and effort, and any other additional costs. This information should be presented to the Commission for consideration before the acceptance of any donation. The rules should also ensure against TCA creating and directly administering additional programs just to receive private funding.

Management Action

2.2 The Commission should evaluate the agency's programs and initiatives to ensure compliance with the legislative direction to focus on arts promotion and grants.

Under this recommendation, TCA's Commission should evaluate the agency's programs to see if they comply with the legislative directive to support, not directly administer programs, other than grants or arts promotion efforts. Any directly administered programs that do not meet these requirements should be eliminated, and any staff or other resources from the eliminated programs should be re-directed towards the agency's primary functions – providing grants, promoting the arts, and raising private funding to support these functions.

2.3 TCA should close its Fort Worth satellite office.

With the legislative directive to support arts education solely through its grants program, TCA should close its Fort Worth satellite office. The arts education programs and initiatives administered through this office do not support the agency's grant or arts promotion functions, and take limited resources away from the agency's primary functions.

Fiscal Implication

These recommendations would not have a fiscal impact to the State, but would result in savings to the Texas Commission on the Arts that should be re-directed to the agency's grants program or arts promotion activities.

Through the evaluation of its current programs and initiatives, TCA may choose to eliminate those that do not contribute to the agency's primary functions, resulting in savings to the agency. Funding and staff resources used for the eliminated programs and initiatives could be used for the agency's grants and promotion functions. Closing its Fort Worth satellite office would eliminate one staff person and save the agency approximately \$75,000 per fiscal year. Both the staff person and the resulting savings could be re-directed to other agency activities. However, without specifics as to which other programs or initiatives would be eliminated, Sunset staff cannot estimate the savings for this report.

¹ Prior to 2006, one of the agency's goals in its appropriations pattern was to ensure that arts education is recognized and utilized as a major contributor to increase literacy and strengthen basic learning skills in Texas schools and communities. This goal was eliminated from the agency's appropriation pattern in 2006 and the agency is now directed to provide arts education grants.

² Texas Government Code, sec. 444.021.

³ A school district that offers grades K-12 must offer an enrichment curriculum that includes fine arts. School districts must ensure that sufficient time is provided for teachers to teach and for students to learn fine arts (Texas Administrative Code, Title 22, part 2, rules 74.1 - 74.3).

⁴ Texas Government Code, sec. 444.025(b).

⁵ Texas Parks and Wildlife Code, sec. 11.205.

⁶ Texas Government Code, sec. 444.025(a).

TCA Awards Special Initiative Grants With Limited Review, Oversight, and Commission Approval.

Summary

Key Recommendations

- ◆ Require the Commission to adopt rules to ensure accountability of TCA's special initiative grants.
- ◆ TCA should provide regular updates to the Commission on all of the agency's grants.

Key Findings

- ◆ Special initiative grants have no set funding limit and often represent some of the largest individual grants TCA awards.
- ◆ Unlike its other grants, TCA has no clear review process or criteria for evaluating special initiative grants.
- ◆ The Executive Director awards special initiative grants with limited Commission oversight or approval.
- ◆ Once awarded, special initiative grants receive little oversight considering the amount of funds awarded through these grants.

Conclusion

TCA spends about 17 percent of its biennial grant budget on special initiative grants. These grants help fund unique opportunities that advance the arts in Texas, particularly projects related to cultural tourism and arts education. During the 2004-2005 biennium, TCA awarded 182 special initiative grants totaling \$1.18 million. The Sunset review assessed TCA's process for awarding and overseeing these grants and found that TCA awards these grants outside its normal grant requirements and procedures. Additionally, TCA awards these grants with limited Commission oversight or approval, jeopardizing the accountability of these funds. Requiring more Commission involvement, and establishing procedures for reviewing, approving, and overseeing the special initiative grants would ensure greater accountability of these grants.

Support

TCA uses 17 percent of its grant funds for special initiative grants.

- ◆ Each year, TCA distributes about \$3.4 million in grants to organizations to support arts services throughout the state. TCA grants fall into two main categories, panel grants and mini-grants. Panel grants are reviewed annually through a competitive panel review process and approved by TCA's Commission. Noncompetitive mini-grants are approved and awarded monthly by the Commission members, funding projects that have statewide impact or require immediate action and could not have been reviewed through the annual panel grant process.
- ◆ Special initiative grants, considered a type of mini-grant, fund projects that advance the arts. During the 2004-2005 biennium, TCA awarded 182 special initiative grants totaling \$1,183,816, or about 17 percent of the agency's grants budget. The table, *TCA Grants*, gives a brief overview of TCA's panel, mini, and special initiative grants, including the number and amount of grants awarded during the 2004-2005 biennium.



TCA awarded about \$1.2 million in special initiative grants in fiscal years 2004 – 2005.

Special initiative grants have no set funding limit and often represent some of the largest individual grants TCA awards.

- ◆ Individual special initiative grant amounts are often greater than the grants awarded through both the agency's panel and mini-grant programs. During the 2004-2005 biennium, the average special initiative grant amount was \$6,551 as compared to \$3,152 for panel grants and \$667 for mini-grants.

**TCA Grants
FYs 2004 – 2005**

Grant Type	Purpose	Grants Awarded	Range of the Grant Amount	Total Amount Awarded	Percent of TCA's Grant Budget
Panel Grant	Competitive grants for organizations established more than one year and with budgets greater than \$50,000. Funding for administrative and operational support, artistic fees, arts education programs, and exhibit preparation.	1,044	\$3,000 – \$40,000	\$5,032,850	73%
Mini-Grant	Non-competitive grants for organizations established less than one year, and/or with budgets less than \$50,000. Funding for traveling exhibitions, obtaining professional training, and hiring artists for performances.	965	\$75 – \$14,000	\$633,876	10%
Special Initiative Grant	A type of mini-grant that funds unique opportunities that advance the arts in Texas, particularly projects that advance cultural tourism, arts education, or preserve, conserve, or document Texas art treasures.	182	\$99 – \$100,000*	\$1,183,816	17%

* Special initiative grants do not have a set amount range. The Executive Director determines grant amounts on a case-by-case basis. The stated range reflects the amounts awarded during the 2004-2005 biennium.

- ◆ Unlike TCA's other grants, special initiative grants do not have set funding limits. Instead, the Executive Director determines the amount of each grant on a case-by-case basis. Without a specified funding limit, these grants have ranged from \$99-\$100,000 depending on the project being funded. The table, *Examples of TCA Special Initiatives Grants*, highlights some of these grants. As the table shows, TCA uses these grants to fund a variety of arts organizations and individuals, as well as agency initiatives not generally funded through a grant, such as subscription fees to participate in the Mid-America Arts Alliance.
- ◆ TCA does not have written procedures for determining special initiative grant amounts. In 2002, the State Auditor's Office (SAO) cited TCA for not having written procedures for determining amounts awarded to grantees.¹ The agency worked to develop these procedures and in 2004, SAO verified that TCA documents its process for making funding decisions using a standard set of documents and approvals.²



TCA's Executive Director determines special initiative grant amounts on a case-by-case basis.

**Examples of TCA Special Initiatives Grants
FYs 2004 – 2005**

Grant Recipient	Purpose	Grant Amount
Mid-America Arts Alliance	Support for participation in a regional network of cultural programs and services to increase access to cultural activities for Texas communities and provide support to Texas artists and arts organizations.	\$100,000
Americans for the Arts	Planning support for the Americans for the Arts annual conference in 2005.	\$70,000
Social Marketing Resource Center	Support for the development and implementation of the "School of Rock" music education program.	\$25,000
Patricia Vonne and the Gillette Brothers	Travel support for these artists to go to Achi, Japan as "ambassadors of Texas music" for a state-sponsored trade mission.	\$20,000
International Accordion Festival	Support to aggressively market the festival on a regional, national, and international scale.	\$10,000
Texas Music International	Support for expenses associated with relocating the Texas Music International/Cowboys & Indians office and replacing its contents after a fire.	\$7,500
Marfa Studio Arts	Staff support for operating a gallery space featuring work by Texas and regional artists.	\$5,800
City of San Antonio Office of Cultural Affairs	Support to conduct an economic impact study of San Antonio's creative industry.	\$2,500
EmilyAnn Theatre	Support for costume design and production for two Shakespearean dramas to be produced in Wimberley, Texas.	\$1,500
Narciso Martinez Cultural Arts Center	Travel support for representatives from the city of San Benito to visit Arte Americas in Fresno, California.	\$550
Multicultural Education and Counseling Through the Arts	Travel support for a dance teacher to attend the United Dance Merchants of America Costume Preview and Studio Conference in Dallas, Texas.	\$99

However, while Sunset staff found that the agency developed procedures for determining amounts for both its panel and mini-grants, the agency could not provide written procedures used to determine special initiative grant amounts. According to TCA, the Executive Director determines the amount of these grants based on how well the proposal fits with the intention of the special initiatives program.

Unlike its other grants, TCA has no clear review process or criteria for evaluating special initiative grants.



Special initiative grants receive less review and oversight than TCA's other grants.

- ◆ TCA does not have set criteria to evaluate the special initiative grant requests. Organizations submit requests in the form of a letter that describes the project, expected outcomes, and budget. The Executive Director reviews the proposal and decides whether to fund the project and the amount of funding based on how well the proposal fits with the intention of the special initiatives program. This determination is not based on any type of measurable criteria.

Although TCA's panel grants often involve less funding than the special initiative grants, they go through a much more extensive review process. TCA staff, expert advisory panels, the Commission's Assistance Review Subcommittee, and the full Commission all must review and approve the panel grants before funding is finally awarded. This review is based on TCA's review criteria that measure the project's service to the state and community; involvement of all cultures and ethnicities; capability to carry out the project; and artistic merit.

The Executive Director awards special initiative grants with limited Commission oversight or approval.

- ◆ Unlike the agency's panel and mini-grants, the Commission does not review or approve specific special initiative grants. Although the Commission approves the agency's overall grants budget, the Executive Director determines which special initiative grants to fund and the grant amounts. According to some of the Commission members, they only learn about the special initiative grants after funding decisions have already been made. As a result, the Commission does not have an opportunity to review, discuss, or deliberate on the special initiative grants.
- ◆ Commission members also do not receive regular updates to properly oversee the special initiative grants. Commission members do not receive complete information regarding how many grants have been awarded, or the amount and purpose of each grant. Sporadic updates from the Executive Director give basic information about some of the organizations and projects the agency supports through special initiative grants, but not complete information to evaluate the use and effectiveness of the grants.
- ◆ Sunset staff reviewed the minutes from the quarterly Commission meetings from fiscal years 2004-2006 and found only three instances in which the discussion about projects being funded by special initiative grants included



The TCA Commission receives limited information about this type of grant.

the amount of funding. In one of these instances, the Commission was informed of the project and the amount of funding required only after work had already begun on the project.

In other instances, some of the projects were briefly mentioned, but they were not explained as being projects funded by special initiative grants, nor were the grant amounts mentioned. For example, although some of the Executive Director's reports discussed the agency's participation in a trade mission to Japan, the two \$10,000 special initiative grants for musicians to travel to Japan and perform for the mission were never mentioned.

Once awarded, special initiative grants receive limited oversight considering the amount of funds awarded through these grants.

- ◆ Because of the significant amount of funding involved in its panel grants, TCA conducts both fiscal and programmatic site visits. These visits help ensure that the grants meet their objectives and that the funds are spent appropriately. However, TCA does not generally perform site visits for the special initiative grants, even though they often involve larger grant amounts than the panel grants.
- ◆ Instead, TCA uses the same self-reported evaluation forms and desk audits to monitor both the mini-grants and the special initiative grants. In some instances, staff participation and observation of the projects help assess accountability. However, considering the large grant amounts involved in special initiative grants, this approach does not provide adequate oversight.
- ◆ In addition, for the 2004-2005 biennium, 21 of the special initiative grantees did not return their self-reported evaluation report form. As such, TCA cannot determine if the funds awarded through these grants were spent appropriately.



Awarding special initiative grants outside the agency's normal grant procedures can appear unfair.

- ◆ While anyone can apply for a special initiative grant, these grants do not follow the standard application and approval process. TCA provides limited information about the special initiative grant process, particularly about how these grants are evaluated and awarded. The Executive Director reviews, approves, and awards special initiative grants without published review criteria or guidelines, and without Commission approval of the individual grants.
- ◆ The application and review process for panel and mini-grants is more thorough even though the grant awards are often significantly less than special initiative grant awards. Panel and mini-grant applicants must complete much more detailed applications and endure a more rigorous review and evaluation, as well as Commission approval, to receive a grant. Additionally, panel grant recipients receive more oversight through financial and programmatic site visits from TCA staff.

Recommendations

Change in Statute

3.1 Require the Commission to adopt rules to ensure accountability of TCA's special initiative grants.

This recommendation would ensure greater accountability of TCA's special initiative grants by requiring the Commission to develop rules governing the review, approval, and oversight of these grants. The rules should clearly address Commission approval of special initiative grants, but the Commission could opt to provide for an expedited approach in cases requiring more immediate action.

The rules should also address the amounts awarded for special initiative grants, and criteria used to review and evaluate the grant applications. This information would improve the Commission's ability to make informed decisions about which projects to fund and at what level.

Management Action

3.2 TCA should provide regular updates to the Commission on all of the agency's grants.

This recommendation would improve the Commission's ability to oversee the grants by ensuring the Commission members receive key information on all of the grants. TCA should provide regular updates to the Commission in an open meeting regarding all of the agency's grants. Requiring these updates would ensure that the Commission members receive the information necessary to effectively oversee all of the agency's grants. These updates should include the following information.

- ◆ The number and type of grant applications received.
- ◆ A description of the projects and amount of funding being requested.
- ◆ The actual grant amount awarded for each project.
- ◆ The status of the grant awards.
- ◆ Information on the impact or results of the grants.

Fiscal Implication

These recommendations will not have a fiscal impact to the State.

¹ State Auditor's Office, Internal Control and Financial Processes at the Commission on the Arts and the Funeral Service Commission, report no. 02-056 (Austin, Texas, June 2002), p. 1.

² State Auditor's Office, Implementation of Prior Audit Recommendations by the Commission on the Arts, report no. 04-048 (Austin, Texas, August 2004), Attachment p. 1.

Lack of Stable, Long-Term Funding Prevents the Cultural Endowment Fund From Supporting TCA and the Arts.

Summary

Key Recommendation

- ◆ Dissolve the Cultural Endowment Fund, and return contributions to private donors and the Legislature.

Key Findings

- ◆ The Fund has never had funding sufficient to support TCA from its interest income.
- ◆ State budget fluctuations have prevented the Legislature providing a stable, long-term funding source for the Fund.
- ◆ Private donors cannot be relied on to provide stable funding for TCA and the arts.
- ◆ Without a stable, long-term, and significant funding source, the Fund is completely ineffective.

Conclusion

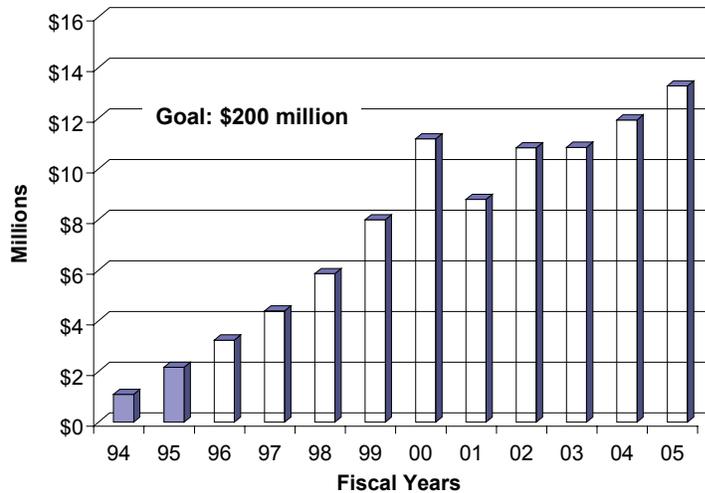
The Legislature established the Cultural Endowment Fund (Fund) in 1993 with the intent that it become a stable funding source for the arts. The Legislature intended for TCA to eventually operate entirely off interest income earned from the Fund, eliminating the need for General Revenue funding. The Sunset review assessed the ability of the Fund to support TCA and found that the Fund lacked the support needed to function as originally intended. Long-term, steady income for the Fund has not been a priority of the Legislature, nor can private donors be counted on to contribute a sufficient amount. Dissolving the Fund would eliminate a structure that has never worked as intended, freeing up more than \$10 million for the Legislature to reinvest in the arts through TCA, or use to meet other critical state needs.

Support

The Legislature created the Cultural Endowment Fund to provide a stable source of funding for TCA and the arts, in place of general revenue.

- ◆ In 1993, the Legislature established the Cultural Endowment Fund (Fund) with the intent that it become a stable funding source for TCA and the arts, in place of General Revenue appropriations. The Fund is a trust account held outside the State Treasury, and currently contains about \$13.2 million.¹ The chart, *Cultural Endowment Fund Balance*, shows the Fund's fiscal year balances since its inception.

Cultural Endowment Fund Balance²
FYs 1994 – 2005



The Fund, currently at \$13.2 million, would need \$200 million to support the agency from interest.

- ◆ TCA may only expend money from the Fund that has been appropriated by the Legislature. Statute permits the Legislature to appropriate interest income to TCA, but not the Fund's principal, since the Legislature intended the Fund to be a permanent trust whose principal remains unexpended.³ As required by law, TCA contracts with an investment management company, currently Westwood Holdings Group Inc., for financial management and investment of the Fund.⁴ For fiscal years 2004 and 2005, TCA paid financial management fees totaling \$168,807.

The Fund has never had funding sufficient to support TCA from its interest income.

- ◆ An endowment is a fund that is kept in perpetuity to provide interest and dividend earnings for a specific purpose, in this case, support for TCA and the arts. In 1993, TCA estimated that a \$200 million Fund balance would allow the agency to operate entirely on interest income, despite fluctuations in the economy. At that time, the agency projected the Fund to reach a \$200 million balance by 2005. Building a Fund balance of \$200 million

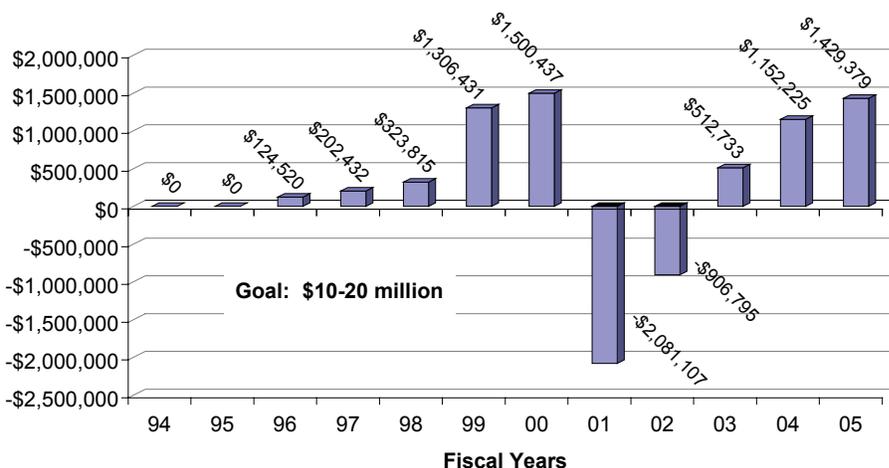
in 12 years (1994 to 2005) would have required significant state resources – more than \$15 million per fiscal year for 12 years, whether from tax sources, appropriations, or private funding. Additionally, building the principal would also have required the agency to forego any access to interest income earned from the Fund for several years, since any interest earned would need to be reinvested into the Fund.

- ◆ When the 73rd Legislature established the Fund in 1993, it intended to have a permanent public funding source in place, in addition to requiring the agency to secure private sector donations. However, House Bill 2223 established the Fund but did not contain a funding source. The Legislature conducted a joint interim study in 1994 and discussed several ideas, including using a percentage of a tax revenue source such as the gas, cigarette, or hotel occupancy taxes, but never came to agreement on a source.⁵
- ◆ Thus, the Fund, from the beginning, had no funding set aside to build the principal up over the years. According to the agency, the Legislature, in addition to continuing to fund the agency’s operations, decided to help build up the Fund’s corpus through appropriations, but did not commit to a specific amount of funding or number of years it would contribute to the Fund.
- ◆ Since the Fund’s inception, it has earned interest income totaling a little more than \$3.5 million over 12 years, nowhere near the \$10 to \$20 million per year TCA projected it would need to support the agency and the arts. From fiscal years 1998 to 2003, the Legislature appropriated to TCA interest income earned from the Fund totaling nearly \$2.7 million to pay for fundraising expenses and donor match requirements. This amount, plus a nearly \$3 million loss in fiscal years 2001 and 2002, due to an economic downturn, reduced the total balance of the Fund. The chart, *Cultural Endowment Fund Interest History*, details the Fund’s interest gains and losses since fiscal year 1994.



Reaching the necessary Fund balance would require \$15 million per fiscal year.

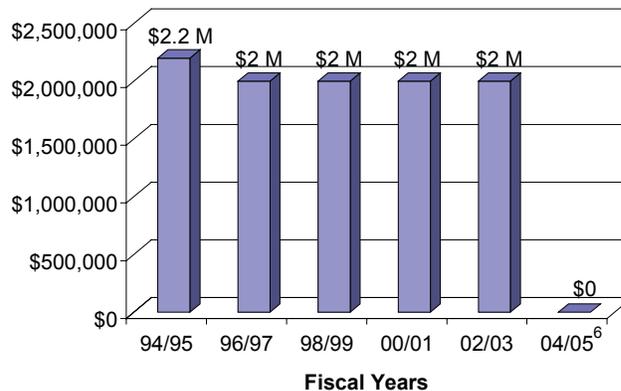
**Cultural Endowment Fund Interest History
FYs 1994 – 2005**



State budget fluctuations have prevented the Legislature from providing a stable, long-term funding source for the Fund.

- ◆ Although the Legislature established the Fund during a strong economy, recent budget shortfalls have made it difficult for the State to continue its support of the Fund. In fact, when faced with tough budget decisions, the Legislature has chosen to significantly reduce support of the arts to help meet other state fiscal needs.
- ◆ For example, in fiscal year 2003, the Legislature required all state agencies to reduce their budgets by 12 percent. To avoid reducing its operating budget, TCA suggested that the Legislature discontinue its \$2 million biennial appropriation to the Fund. The Legislature adopted the recommendation and also ceased appropriating the interest income that TCA had been receiving annually. The chart, *State Contributions to the Cultural Endowment Fund*, details the Legislature appropriations to the Fund from fiscal years 1994 to 2005.

**State Contributions to the Cultural Endowment Fund
FYs 1994 – 2005**



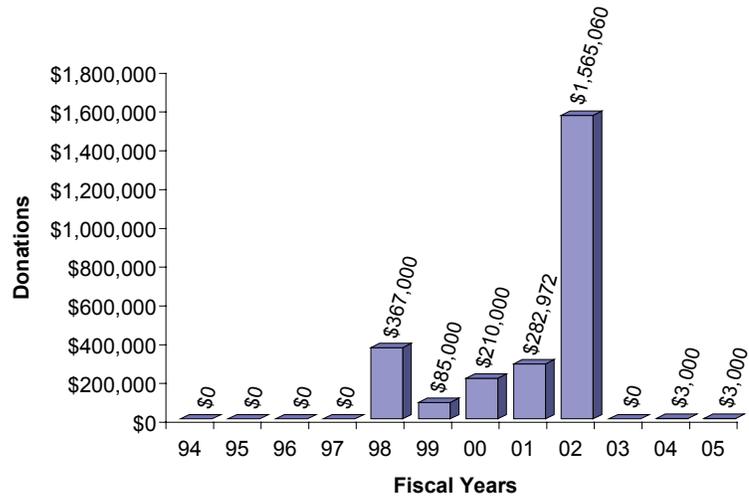
Private donors cannot be relied on to provide stable funding for TCA and the arts.



- ◆ Beginning in fiscal year 1998, the Legislature directed TCA to fundraise to help develop the Fund, and appropriated interest income totaling about \$2.3 million from fiscal years 1998 to 2003 to pay for fundraising activities, including fundraising services, staff salaries, and operating expenses related to fundraising. To facilitate fundraising, TCA contracted with the Texas Cultural Trust Council (Trust Council) for fundraising services from fiscal years 1998 to 2003, and paid \$1.1 million for services during that time. The Trust Council is a nonprofit organization established in 1995 to raise private sector money for the Fund.
- ◆ When the Trust Council first began soliciting donations for TCA, it found that prospective donors did not want to contribute money to

support state agency operations, or even existing agency grants. Despite these difficulties, during its contract with TCA, the Trust Council raised about \$2.5 million in private contributions for the Fund, as shown in the chart, *Private Donations to the Cultural Endowment Fund*. Unfortunately, this level of funding falls significantly short of the amount needed to build the Fund's principal. In addition, a portion of donations, \$265,000, could not be used to build the Fund's corpus, as the donations were specifically reserved for student scholarships through the Young Master's program.

**Private Donations to the Cultural Endowment Fund
FYs 1994 – 2005**



Without a stable, long-term, and significant funding source, the Fund is completely ineffective.

- ◆ Lack of contributions, and access to interest income, have rendered the Fund useless as a viable funding source for TCA. The Legislature discontinued its appropriations to and from the Fund in fiscal year 2003, and private donors no longer contribute to the Fund, since they do not want to contribute to an endowment that cannot be used by TCA to support the arts.
- ◆ Without any incoming private sector funding or legislative appropriations, the Fund's principal has not grown enough to generate the interest income needed to meet the Legislature's intent to replace TCA's general revenue support. After 12 years, the Fund has a balance of only about \$13.2 million, and it would take decades to reach the point where interest income could be used to fund agency operations. Currently, the Fund sits unused, with the exception of the Young Master's program described below, tying up a significant amount of money that could be used now for other purposes.
- ◆ Currently, the only TCA program supported by the Fund is the Young Masters program, which provides scholarships of up to \$2,500 per year to students in grades 8 through 12 for advanced arts training. Since the program was established in 2002, 25 students have received scholarship awards totaling \$129,000 to train in disciplines such as music, dance, and visual arts. TCA uses interest income from the Fund to meet match obligations required by donors who support this program, and to date has paid a total \$64,500, half of the total scholarships awarded, in matching obligations. For fiscal years 2006 and 2007, the Legislature appropriated \$83,745 in interest to TCA each year so that the agency can meet matching obligations for this program.


Lack of contributions, and access to interest income, have rendered the Fund useless as a funding source.

Due to budget hardships, other states' arts endowments are not working as intended either.

- ◆ Sixteen other states have created arts endowment funds to raise money to help state arts agencies support arts organizations. Most of the arts endowments receive a blend of public and private funding, although some rely entirely on private donations.
- ◆ Of the 16 other states' endowment funds, 12 have not achieved an adequate level of funding to support the arts as originally intended, even states that have dedicated funding sources for their endowments. Also, faced with budget hardships, some of these same states, such as Arizona, Missouri, and Oregon, have significantly reduced or eliminated public support for their endowments, using the funds to meet other fiscal needs.⁷

Recommendation

Change in Statute

4.1 Dissolve the Cultural Endowment Fund, and return contributions to private donors and the Legislature.

Under this recommendation, the Cultural Endowment Fund would cease to exist. As required by law, TCA would return the balance of the Fund to its donors – in this case, private donors and the Legislature. Private donations would be returned to the Texas Cultural Trust Council, who would use the returned money as donors wished. Donors could take back their money or use the money as a gift to support the arts or TCA programs.

The remainder of the Fund balance would be returned to the Legislature, who could use it to pay for TCA's appropriation for the next biennium or any other State fiscal need as it deems necessary. Although the Fund would no longer exist, the Trust Council could still raise money for the arts as a private nonprofit endowment, and TCA could still receive funds raised by the Trust Council as a gift. TCA could also still receive gifts directly from private donors, as allowed by the agency's statute.

Fiscal Implication

This recommendation would result in a one-time gain of approximately \$10.7 million to General Revenue. Based on the Fund's balance of \$13,271,437 on August 31, 2005, the State's gain would be an estimated \$10.7 million, including its original \$10.2 million investment and interest income of \$555,405. The remaining \$2,516,032 would be returned to private donors. Since the Fund's balance changes each month, interest income the State could expect at the time of Fund dissolution could not be estimated for this report.

<i>Fiscal Year</i>	<i>Gain to the General Revenue Fund</i>
2007	\$10,755,405
2008	\$0
2009	\$0
2010	\$0
2011	\$0

¹ Based on the Fund's value of \$13,271,437 on August 31, 2005.

² The Fund's management fees from fiscal years 1994 to 2005 totaled \$1,013,665.

³ Texas Government Code, sec. 444.026 (b), and Texas Office of the Attorney General Letter of Advice (2004).

⁴ Texas Government Code, sec. 444.028.

⁵ The 73rd Legislature, *Cultural Endowment Fund Joint Committee Report* (Austin, Texas, December 15, 1994).

⁶ The Legislature appropriated a total of \$700,000 in interest, but directed TCA to immediately deposit the appropriation into the Fund's corpus.

⁷ Sunset staff research of the 17 states' arts endowment funds through the National Assembly of State Arts Agencies website, www.naasa-arts.org/aoa/saaweb.shtml.

ACROSS-THE-BOARD RECOMMENDATIONS



Texas Commission on the Arts

Recommendations	Across-the-Board Provisions
Modify	1. Require public membership on the agency’s policymaking body.
Update	2. Require provisions relating to conflicts of interest.
Already in Statute	3. Require unbiased appointments to the agency’s policymaking body.
Already in Statute	4. Provide that the Governor designate the presiding officer of the policymaking body.
Update	5. Specify grounds for removal of a member of the policymaking body.
Update	6. Require training for members of the policymaking body.
Already in Statute	7. Require separation of policymaking and agency staff functions.
Already in Statute	8. Provide for public testimony at meetings of the policymaking body.
Update	9. Require information to be maintained on complaints.
Apply	10. Require the agency to use technology to increase public access.
Apply	11. Develop and use appropriate alternative rulemaking and dispute resolution procedures.

Agency Information

Agency Information

Agency at a Glance

The Texas Commission on the Arts (TCA) helps develop a receptive climate for the arts through the support and development of arts and cultural industries in Texas. The Legislature originally created the agency in 1965 to receive federal arts funding, and encourage an interest in fine arts in Texas. Today, to accomplish its mission, TCA:

- ◆ provides grants to nonprofit arts, educational, and governmental organizations to help make arts accessible to all Texans;
- ◆ promotes arts and cultural events to increase participation in the arts and encourage tourism; and
- ◆ markets and raises funds to support the agency's programs.

Key Facts

- ◆ **Funding.** The agency operates with an annual appropriation of about \$5 million and expends the majority of this funding on arts and cultural grants. A little more than half of the agency's funding comes from General Revenue. The other half comes from a blend of federal funds from the National Endowment of the Arts, revenue from the sale of the *State of the Arts* license plates, and interagency contracts.
- ◆ **Staffing.** The Commission has 19 staff, including one employee in each of the agency's satellite offices in Fort Worth and McAllen.
- ◆ **Grants.** TCA distributes about \$3.4 million in grants each fiscal year to arts and cultural organizations and other nonprofit entities. The agency funds 96 percent of all grant applications submitted, with grantees receiving about 34 percent of the grant amount requested. In fiscal year 2005, the agency awarded 1,162 grants and the average grant amount was \$2,962. TCA has had a fully automated online grants application system since 1998.
- ◆ **Texas Cultural Endowment Fund.** In 1993, the Legislature established the Texas Cultural Endowment Fund outside the State Treasury to create a stable source of funding for the arts in Texas. At the end of fiscal year 2005, the Fund had a balance of about \$13.2 million.
- ◆ **State of the Arts License Plates.** TCA markets its license plate, the best selling specialty plate in Texas, to raise funds to help support its grant programs. In fiscal year 2005, the sale or renewal of 20,852 license plates raised \$459,272.
- ◆ **Texas Music Project Music CDs.** TCA collaborates with other organizations to market music CDs containing songs from well-known and emerging Texas musicians. Sales from four CDs have raised \$100,000 for grants to schools to support music education in K-12 classrooms.



*On the Internet:
TCA provides information
about and access to
grants, arts events, and
other resources at
www.arts.state.tx.us.*

Major Events in Agency History

- 1965 Legislature establishes the Texas Fine Arts Commission to receive funding from the National Endowment of the Arts.
- 1979 Legislature renames the agency as the Texas Commission on the Arts. TCA develops and publishes the first Texas State Arts Plan.
- 1991 Legislature places an equity rider on TCA's appropriation to ensure service to minority, rural, and under-served citizens through a more equitable distribution of funds.
- 1993 Legislature creates the Texas Cultural Endowment Fund to provide a stable funding source for the arts in Texas, and the *State of the Arts* license plate as a way to generate additional revenue for the arts.
- The Legislature also places an obscenity clause on TCA's enabling legislation to avoid controversy over objectionable content in state funded projects.
- 1998 TCA launches its online grant application system and opens its first field office in Fort Worth.
- 2001 TCA and the Texas Cultural Trust Council develop the first biennial Texas Medal of Arts Awards to honor Texas' top artists.
- 2004 TCA partners with a private marketing company for the Texas Music Project to create a series of music CDs with proceeds supporting music education programs in public schools.



*A 17-member
Commission
governs TCA.*

Organization

Policy Body

The Texas Commission on the Arts policy body consists of 17 members appointed by the Governor. The members must represent all fields of the arts and be widely known for their professional competence and experience in connection with the arts. At least two members must be residents of a county with a population of less than 50,000. The Governor designates the Chair and the Commission may elect other officers from its members. The chart on page 33, *TCA Commission Members*, provides additional information on each of the current members.

The Commission hires the Executive Director and gives final approval to the agency's budget, programs, and initiatives, and makes final decisions on grant distributions. The Commission is also responsible for oversight and management of the Texas Cultural Endowment Fund, and assists with fundraising opportunities for the agency. The Commission typically meets four times a year.

TCA Commission Members

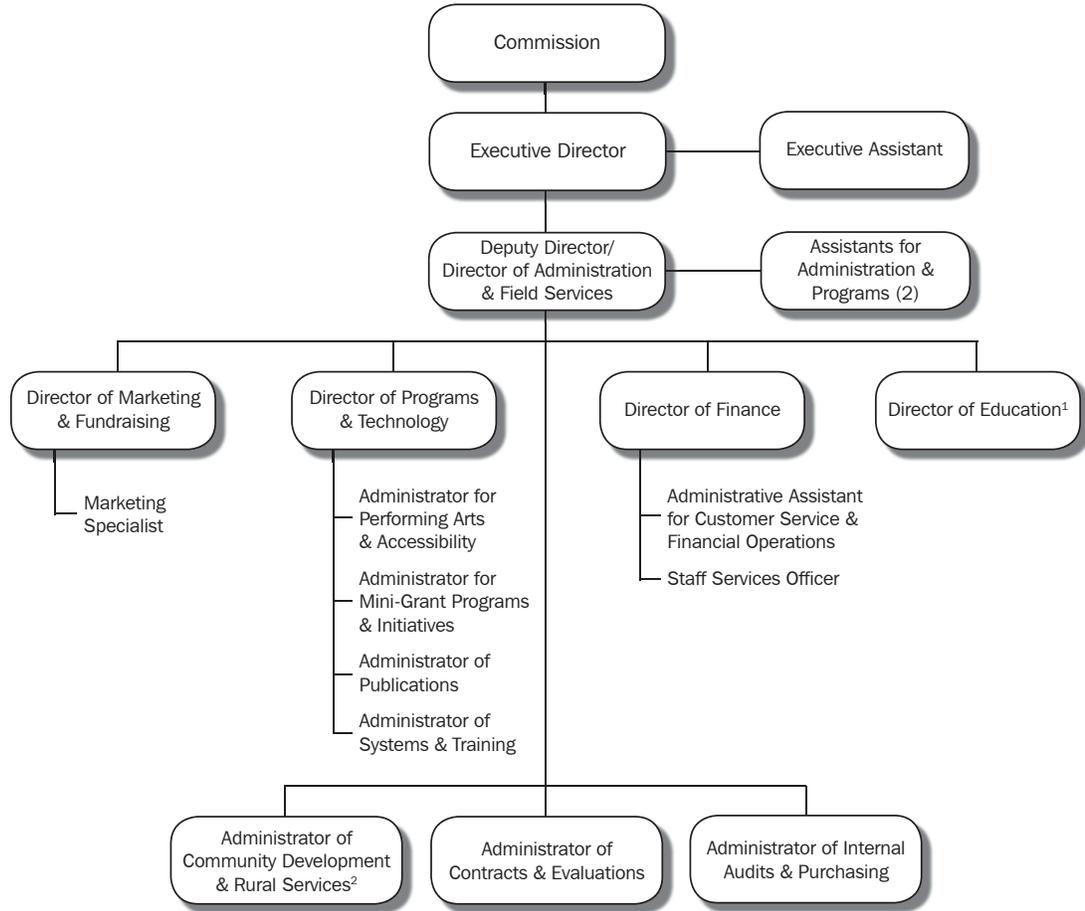
Member	Residence	Qualification	Term Expires
Victoria Hodge Lightman Chair	Houston	Visual Arts, Performing Arts	2007
Mildred Knappe Witte Vice Chair	Tyler	Arts Education, Symphonic Music	2007
Dorothy E. Farrington Caram, Ed.D. Treasurer	Houston	Culturally Diverse Arts Organizations	2009
Alphonse A. Dotson Secretary	Voca	Visual Arts, Arts Education*	2007
George R. "Bob" Snead Parliamentarian	El Paso	Visual Arts, Acting	2009
W.C. "Abby" Abernathy, Jr.	Archer City	Acting, Craftsman*	2007
Nelson H. Balido	San Antonio	Commercial Music	2009
Patty A. Bryant	Amarillo	Community Arts, Opera, Theatre, Graphic Arts	2011
Susan Howard-Chrane	Boerne	Film Actor	2009
William W. Collins, Jr.	Fort Worth	Visual Arts	2009
David Garza	Rancho Viejo	Community Arts	2011
Loren O. McKibbens	Dallas	Arts Education	2007
Cobie Russell	Dallas	Visual Arts	2009
Billye Proctor Shaw	Abilene	Visual Arts, Community Arts	2011
Polly Sowell	Austin	Community Arts, Art History	2011
Mary Teeple	Spicewood	Arts Education	2009
Norma Helm Webb	Midland	Visual Arts, Community Arts	2011

* Represents community with a population of less than 50,000.

Staff

The Commission has 19 staff, most located in Austin. The Commission has one employee based in its Fort Worth satellite office and another based in its McAllen satellite office. Employees perform three main functions – processing, distributing, and monitoring grants; promoting arts and cultural events to increase audience attendance and attract tourists; and marketing and fundraising to raise private funds for agency programs. The Executive Director, under the direction of the Commission, manages the agency's day-to-day operations. The *Texas Commission on the Arts Organizational Chart*, on page 34, shows the agency's structure. Appendix A compares the agency's workforce composition to the minority civilian workforce for the past three years. Having a small staff, the agency has not always met the civilian workforce percentages for all of its job categories.

Texas Commission on the Arts Organizational Chart

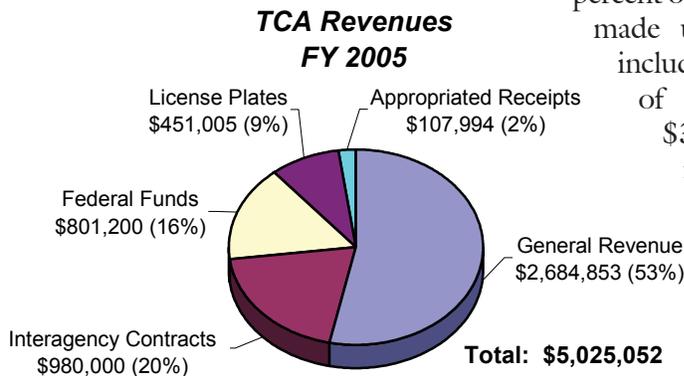


¹ Position located in Fort Worth satellite office.
² Position located in McAllen satellite office.

Funding

Revenues

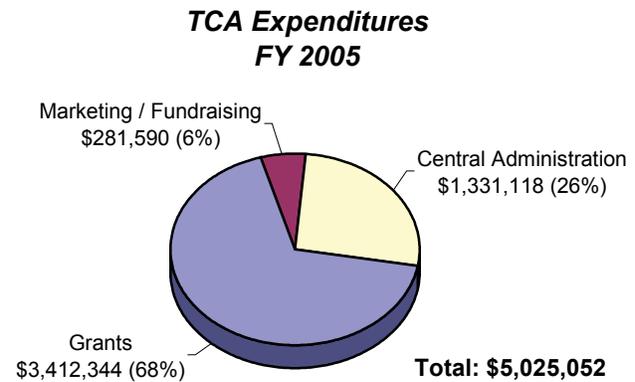
In fiscal year 2005, TCA received more than \$5 million in revenue. As shown in the pie chart, *TCA Revenues*, General Revenue accounted for 53 percent of the agency's revenues. Interagency contracts made up 20 percent of the agency's revenues, including \$670,000 from the Texas Department of Transportation to promote tourism and \$310,000 from the Texas Education Agency for arts education grants. Sales of the *State of the Arts* license plates raised 9 percent of the agency's revenues.



Expenditures

The pie chart, *TCA Expenditures*, details the Commission's \$5,025,052 expenditures in fiscal year 2005. The Commission's largest expenditure, 68 percent, was the distribution of \$3.4 million in direct grants to arts, cultural, and other nonprofit entities. The agency's other expenditures included 26 percent for central administration and 6 percent for marketing and fundraising.

Appendix B describes the Commission's use of Historically Underutilized Businesses (HUBs) in purchasing goods and services for fiscal years 2002 to 2005. The Commission makes purchases in the commodities and other services categories, and has generally fallen below the goal for HUB purchasing in these categories.



Agency Operations

TCA performs three main functions: administering grants to arts, education, and civic organizations; promoting arts and cultural events to increase attendance and attract tourists; and marketing and fundraising to raise private funds for agency programs.

Grant Administration

TCA provides financial assistance in the form of grants to arts organizations, schools, and other nonprofit and governmental entities throughout the state. These grants aim to make arts accessible to all Texans by developing and promoting the state's arts and cultural industries, and advancing arts education opportunities. TCA grants provide administrative and programmatic support for arts organizations that help fund museum exhibits, theatre and dance performances, festivals, and arts education programs. In fiscal year 2005, TCA distributed 1,162 grants totaling about \$3.4 million.

To be eligible for a TCA grant, an organization must be a tax-exempt nonprofit organization incorporated in Texas for one year and/or a government entity. Applicants also must be able to match the TCA grants on a dollar for dollar basis or through a combination of cash and in-kind funds. Additionally, TCA's statute requires equitable distribution of the grants to recipients who reflect the geographical, cultural, and ethnic diversity of the state's population.¹

TCA has two types of grants – panel grants and mini-grants. Appendix C provides a brief description of TCA's panel and mini-grant categories, and highlights some of the projects these grants fund. For grant applications from larger, more established organizations, TCA uses a competitive, panel review process. Once a year, these organizations apply online and advisory panels review and score their applications. The textbox on page 36, *TCA Advisory Panels*, discusses the types of panels and how they work in more detail. Based on advisory panel scores and available funds, TCA staff make preliminary funding recommendations to the Commission for final

TCA Advisory Panels

TCA's advisory panels provide professional, qualitative evaluations of panel grant applications that allow the Commission to objectively decide which grants to fund. TCA uses a separate panel to evaluate applications for each of the following artistic disciplines: community arts; media arts/multimedia; music and dance; opera, theatre and presenting; visual arts and architecture; and literary arts.

The Commission chooses panel members from nominations made by individuals and organizations in Texas. Panel members serve two-year terms and must be Texas residents. Each panel is made up of six to nine members, and must have broad disciplinary, minority, and geographic representation.

The purpose of each panel is to:

- ◆ provide professional, qualitative evaluations of grant applications based on merit;
- ◆ assess the reasonability of funding requests;
- ◆ provide constructive critiques of applicant proposals; and
- ◆ advance geographic understanding and awareness of the diversity of artistic activity in the state.

Advisory panels generally meet once a year in Austin for one to five days to review, discuss, and score grant applications. Advisory panels do not make funding recommendations or decisions. TCA staff use the panel scores to make funding recommendations to the Commission, which makes the final funding determinations for the grants.

grant determinations. These panel grants range between \$3,000 and \$40,000. In fiscal year 2005, TCA awarded 440 panel grants totaling \$2,563,688.

TCA also provides non-competitive mini-grants each month. Most of these grants range between \$75 and \$2,000, but can total up to \$14,000 per organization. These grants typically help fund one-time activities such as training or presenting artistic performances. Instead of advisory panels, the Commission Chairman, Assistance Review Committee Chairman, and Executive Director review and approve the mini-grant applications. In fiscal year 2005, TCA awarded 722 mini-grants totaling \$877,802.

Arts Promotion

To help promote the arts in Texas, TCA provides a variety of information to its constituents and the public, and works with other state entities to ensure a coordinated approach to tourism promotion.

Information

TCA provides information for its constituents and the public designed to promote the arts throughout Texas. TCA's website serves as a clearinghouse of information about the arts, providing links to content on funding resources, ideas for promoting arts events, arts job postings, grants information, and arts and cultural organizations. TCA also provides information on events such as festivals, performing arts series, and diverse cultural celebrations through artonart.com, an online, statewide arts calendar that received 1.3 million hits in fiscal year 2005.

Technical Assistance

TCA staff conduct workshops for arts organizations and present information at industry conferences and meetings on a variety of topics including its grant application process, community development, marketing arts organizations and events, and cultural tourism. Overall, TCA conducted and participated in 49 workshops and conferences in fiscal year 2005. TCA also gives referrals to outside consultants and workshops, classes, and conferences. Additionally, TCA offers tailored assistance to individual organizations, such as organizational assessment and development, arts programming, and leadership development.

Tourism

TCA collaborates with four other state government entities to ensure a strategic approach to promoting Texas as a premier tourist destination. The chart, *State Tourism Partners*, summarizes the functions of each partner. The partners have developed a joint state strategic tourism plan to coordinate their individual tourism promotion activities and to more consistently measure the impact and success of their tourism efforts.

State Tourism Partners

Entity	Tourism Functions	Target Audience
Office of the Governor, Economic Development & Tourism	Directs all state tourism activities. Promotes Texas travel products and destinations through advertising, TravelTex.com website, 1-800 information number, trade shows, and public relations.	Out-of-state domestic and international markets
Texas Department of Transportation	Promotes safe and enjoyable travel through publications including <i>Texas State Travel Guide</i> , <i>Texas Official Travel Map</i> and <i>Texas Highways</i> magazine, and trade shows.	In-state
Texas Historical Commission	Promotes historic sites and heritage attractions through media relations, brochures, trade shows, and advertising.	In-state
Texas Parks and Wildlife	Promotes state parks, historic sites, and recreational activities through media relations, brochures, trade shows, advertising, and events.	In-state
Texas Commission on the Arts	Promotes arts and cultural events and activities through artonart.com calendar, brochures, media relations, trade shows, advertising, and events.	In-state

TCA supports the partnership's tourism promotion efforts by specifically promoting arts and cultural events through its artonart.com calendar and brochures, and by participating in joint tourism presentations with the other partners. In addition, TCA's grants support arts events that may help attract tourists to Texas communities. The textbox, *TCA Tourism Support Activities*, describes some of the agency's tourism promotion efforts.

Fundraising and Marketing

As directed by the Legislature, TCA raises private funds to enhance support of its grant programs. The agency markets two products, license plates and music CDs, as described below. Staff fundraising efforts include a variety of marketing, public relations, special events, and print and electronic communications activities.

TCA Tourism Support Activities

TCA supports state tourism efforts by promoting the arts in Texas through various activities, including the following.

- ◆ **Uniquely Texas:** TCA collaborated on a video project highlighting cultural and heritage tourism in Texas, and offering viewers a plan to create and promote such tourism in their communities.
- ◆ **TCA's "Tools for Results" Tool Kit:** TCA developed an online resource that provides how-to information such as developing cultural tourism and arts programs, and marketing arts events to help arts organizations better develop and promote arts and opportunities.
- ◆ **Texas Craft Initiative:** TCA recently created a four-year initiative to promote original work by Texas' craft artists in part by building tourism in rural destinations, where many of the craft artists live and work.
- ◆ **Zip Code Tracker:** TCA developed a software program that helps arts organizations determine where their customers live and if marketing efforts are successful.

State of the Arts License Plate

Issued in 1995, TCA's *State of the Arts* license plate is the best selling specialty license plate in Texas. At \$30 per plate, proceeds from sales raise more than \$450,000 per year for the agency's grant programs. Despite limited resources, the agency has implemented a marketing plan that helps achieve widespread sales of the plates. In addition to advertising in *Texas Monthly* magazine, the agency promotes the plates on its website, and encourages its constituents to market the plates through their organizations.

Texas Music Project

In response to a legislative directive in 2003 to raise money for music education, TCA developed the Texas Music Project in collaboration with the Social Marketing Resource Center, a nonprofit organization that helps other nonprofits fundraise. The Texas Music Project produces and markets music CDs containing songs by well-known and emerging Texas musicians. The musicians and other individuals donate their talent and time to develop the CDs, which are sold through the Texas Music Project's website and some retail locations. Proceeds go to TCA grants to schools to support music education in K-12 classrooms, particularly in schools with a high percentage of disadvantaged students.

¹ Texas Government Code, sec. 444.024(c).

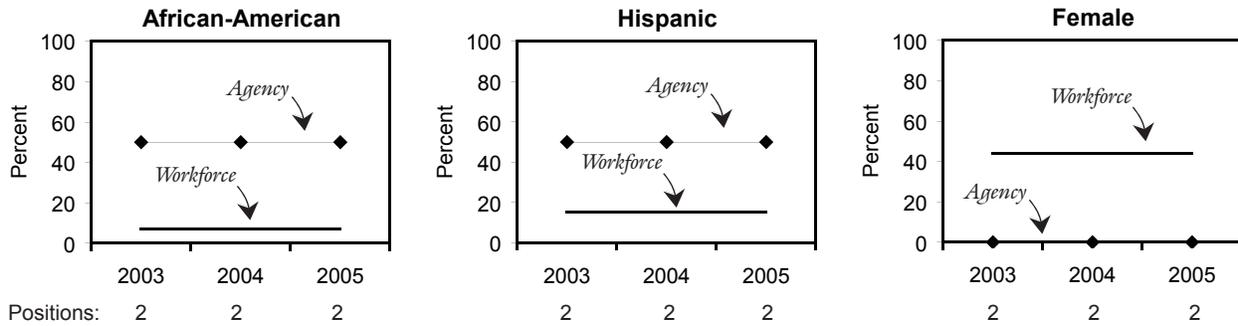
APPENDICES

Equal Employment Opportunity Statistics

2003 to 2005

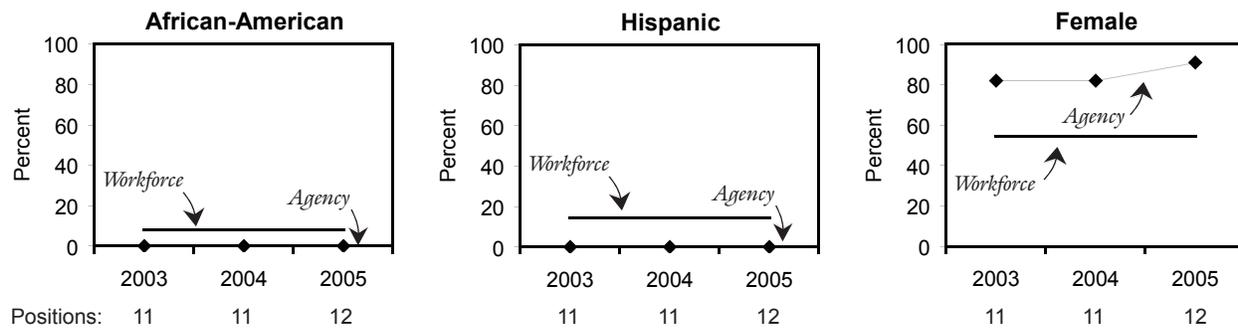
In accordance with the requirements of the Sunset Act, the following material shows trend information for the Texas Commission on the Arts employment of minorities and females in all applicable categories.¹ The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.² In the charts, the flat lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category. These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The diamond lines represent the agency's actual employment percentages in each job category from 2003 to 2005. The agency has not always met the statewide civilian workforce percentages due to its small staff size. Also, the agency does not employ persons in the skilled craft category.

Administration



The agency consistently exceeded the civilian workforce percentages for African-American and Hispanic employment in administration, but fell short for females.

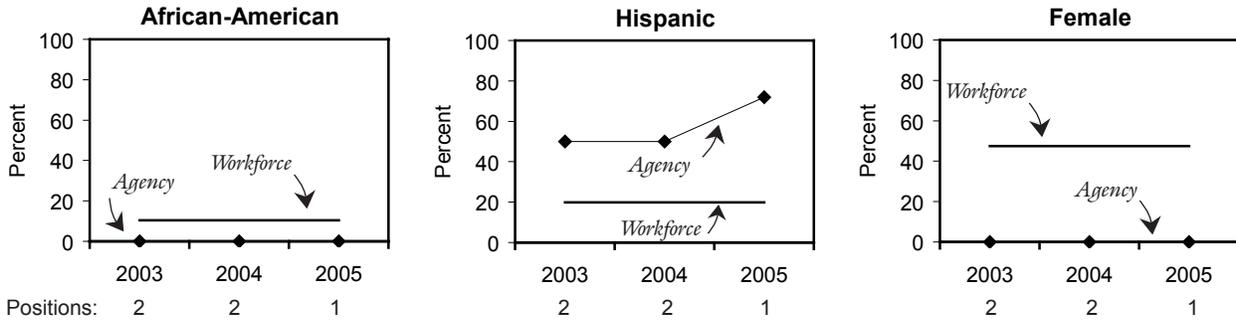
Professional



The agency fell below the statewide civilian workforce percentages for African-Americans and Hispanics, but consistently exceeded the percentage for females.

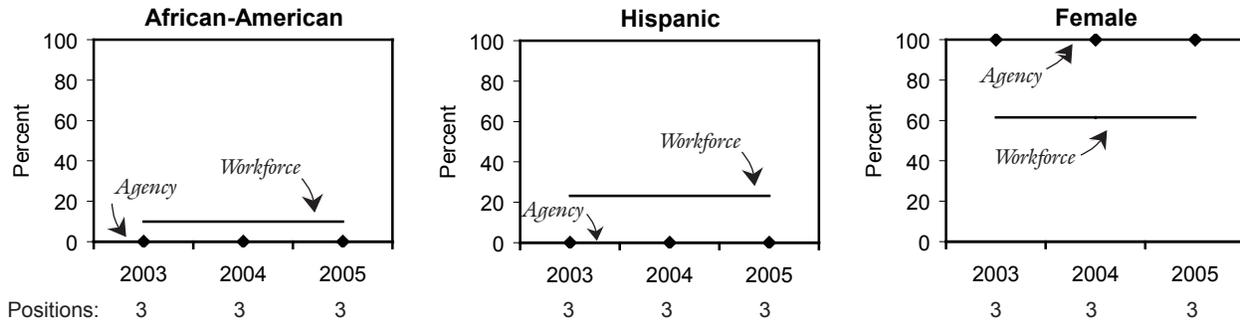
Appendix A

Technical



The agency consistently exceeded the civilian workforce percentage for Hispanics, but fell below the African-American and female percentages.

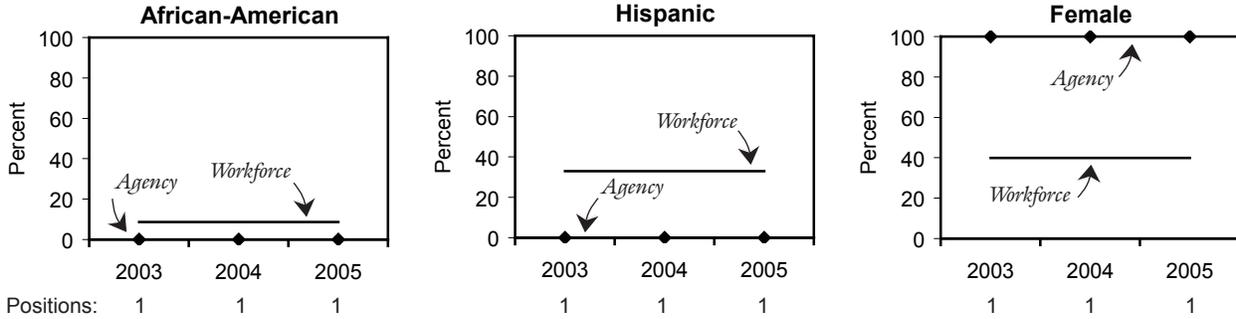
Administrative Support



The agency consistently fell below the civilian workforce percentages for African-Americans and Hispanics, but exceeded the percentages for females.

Appendix A

Service/Maintenance



The agency did not meet the civilian workforce percentages for African-Americans and Hispanics, but significantly exceeded the percentage for females.

¹ Texas Government Code, sec. 325.011(9)(A).

² Texas Labor Code, sec. 21.501.

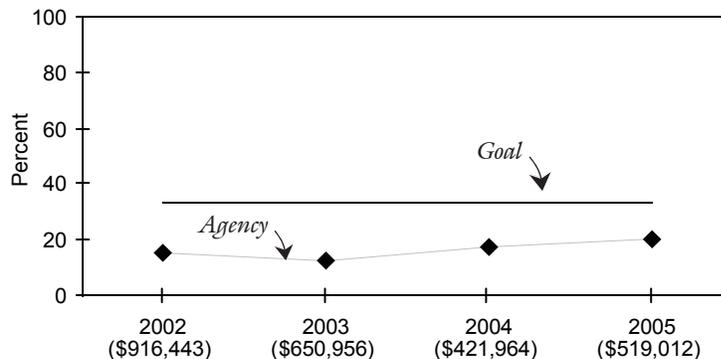
Historically Underutilized Businesses Statistics

2002 to 2005

The Legislature has encouraged state agencies to increase their use of Historically Underutilized Businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.¹ The review of the Texas Commission on the Arts found that the agency is not fully complying with State requirements concerning HUB purchasing. Specifically, the agency has not adopted HUB rules.

The following material shows trend information for the Texas Commission on the Arts use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.² In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from 2002 to 2005. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The Commission has generally fallen short of the State goal for HUB purchasing of other services and commodities, except in 2005 when the agency met the State goal for commodities purchases.

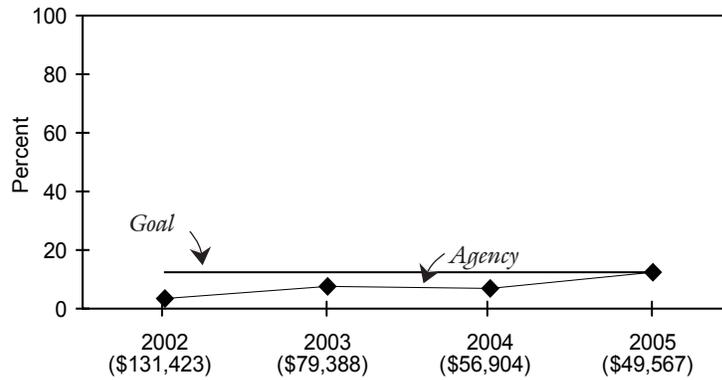
Other Services



The Commission consistently fell below the State goal for HUB purchasing of other types of services from 2002 to 2005.

Appendix B

Commodities



The Commission fell below the State goal for HUB commodities purchases from 2002 to 2004, but met the goal in 2005.

¹ Texas Government Code, sec. 325.011(9)(B).

² Texas Government Code, ch. 2161.

TCA Grants

Type	Category	Description	Amount	Examples	
Panel Grants	Core Support	Funding for administrative, operational, programmatic, and artistic expenses for nonprofit Texas-based arts organizations, local arts agencies, and pre-qualified university and city departments.	\$3,000-\$35,000	Funded the upcoming season of Puerto Rican Folkloric Dance, including three performances, a music and dance workshop, and an educational outreach program.	
	Arts Education Project	Funding for projects demonstrating artistic merit and “best practices” in arts education, including developing arts education curriculum, teacher training, and assessment.	\$3,000-\$40,000	Funded Marfa Studio Arts’ program for schoolchildren to participate in 12 tours to different art exhibitions in town.	
	Festival and Project Support	Funding for project assistance on a one-year basis, including administrative costs directly related to the project.	\$3,000-\$15,000	Provided artistic fees for the International Accordion Festival.	
	Statewide Services	Funding for administrative support to organizations that provide services to artists and arts and cultural organizations on a statewide basis.	\$3,000-\$35,000	Provided salaries and other administrative support for the Texas Association of Museums to provide services to artists, and arts and cultural organizations on a statewide basis.	
	Subgranting	Funding that allows professionally staffed local arts agencies to regrant funds to arts and other service organizations in their communities.	\$3,000-\$40,000	Funded the Cultural Arts Council of Houston/Harris County’s Touring & Neighborhood Arts program that provides grants to organizations that provide youth arts programs, arts activities in underserved areas, and outreach activities.	
	Preparation to Tour	Funding to support Texas-based institutions in preparing art exhibitions, film series, documentary films, radio programs, or other media series to tour to other sites in Texas and across the country.	\$3,000-\$7,500	Funded Cine Las Americas to curate and market a series of Latin American, Native American, and youth films to tour in Austin, San Antonio, College Station, Dallas, Iowa, and Brazil.	
Mini-Grants	Cultural Connections ¹	Travel	Funding for travel and registration subsidies to attend conferences approved by TCA for professional training and development.	\$75-\$2,000	Funded travel and registration for Executive Director of the Classical Chorus of Abilene to attend the Chorus America Management Institute in Los Angeles, CA.

Appendix C

Type	Category	Description	Amount	Examples	
Mini-Grants	Cultural Connections (cont.)	Consultant / Simply Solutions	Funding for a consultant to provide professional training and development, organizational assessment and development.	\$75-\$2,000	Al Sommers Public Relations provided marketing assessment/development services to Texas Folklife Resources in Austin, including assisting in the development of a marketing plan and corporate solicitation package.
		Visual / Media Arts Touring	Funding for organizations to present art exhibitions, film series, documentary films, radio programs, or other media series curated by an outside organization.	\$75-\$2,000	Provided exhibition support for “New Art in Austin: 22 to Watch” to be exhibited in Galveston.
	Performance Support ²	Funding for professional artist fees for schools, libraries, and non-profit organizations to hire an artist from the TCA Roster for a performance.	\$75-\$8,000	Patsy Torres performed two concerts for Drug Free Red Ribbon week in Brackett ISD.	
	Arts in Education Team Building	Funding for educators through their schools to support team building needs such as staff development, curriculum development, consultant fees, and travel and conference registration.	\$75-\$2,000	A high school art teacher from Texarkana attended the National Art Education Association Convention in Chicago.	
	County Arts Expansion Project	Arts funding for nonprofit organizations, government entities, and school districts in counties with populations below 50,000. Different counties targeted each year and priority given to counties where no current grants have been awarded previously.	\$75-\$3,000 per county per year	Funded two murals in Newton county, one depicting the town of Newton and its people during the late 1800’s to early 1900’s and the other illustrating the history of the logging industry.	
	Special Initiatives	Based on available funding, these grants fund unique opportunities that advance the arts in Texas. Emphasis is placed on projects that advance cultural tourism and arts education, or preserve, conserve, and document Texas art treasures.	determined on a case-by-case basis	Funded a statewide marketing plan for the Fort Worth Symphony Orchestra’s Concerts In The Garden Summer Music Festival to support cultural tourism and attract residents from outside Tarrant county.	

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<sup>1</sup> Multiple applications can be submitted, but TCA has a \$2,000 cumulative cap per organization per fiscal year for Cultural Connections mini-grants.

<sup>2</sup> Multiple applications can be submitted, but TCA has a \$12,000 cumulative cap per organization per fiscal year.

## Staff Review Activities

During the review of the Texas Commission on the Arts, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with agency personnel; attended a Commission meeting and interviewed several Commission members, including the Chair; met with staff from key legislative offices and from the Office of the Governor; conducted interviews and solicited written comments from interest groups and the public; reviewed agency documents and reports, state statutes, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff also performed the following activities unique to this review.

- ◆ Participated in a tour of several agency grant recipients in Houston.
- ◆ Visited the agency's satellite office in McAllen and interviewed office staff, and interviewed several agency grant recipients in McAllen and Harlingen.
- ◆ Attended an agency tourism/marketing workshop in Harlingen.
- ◆ Interviewed several arts organizations in Austin.
- ◆ Observed an on-site monitoring visit of a TCA grant recipient.
- ◆ Reviewed audiotapes of the agency's grant advisory panel process.
- ◆ Reviewed reports and documents related to another agency simultaneously undergoing Sunset review, the Texas Historical Commission.



SUNSET REVIEW OF THE  
TEXAS COMMISSION ON THE ARTS

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